

Message Text

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PAGE 01 BELGRA 00701 140907Z

70

ACTION EB-11

INFO OCT-01 EUR-25 ISO-00 AEC-11 AID-20 CEA-02 CIAE-00

CIEP-02 DODE-00 FEA-02 FPC-01 H-03 INR-10 INT-08 L-03

NSAE-00 NSC-10 OMB-01 PM-07 RSC-01 SAM-01 SCI-06

SPC-03 SS-20 STR-08 TRSE-00 PA-04 PRS-01 USIA-15

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R 140828Z FEB 74

FM AMEMBASSY BELGRADE

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INFO AMEMBASSY BUCHAREST

AMEMBASSY BUDAPEST

AMEMBASSY MOSCOW

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UNCLAS BELGRADE 0701

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TAGS: BFOL, ENRG, ETRD, YO, HU, CA, US

SUBJ: SIGNING OF AGREEMENT FOR CONSTRUCTION OF PAN ADRIA PIPELINE

REF : A) ZAGREB 0090 B) ZAGREB 0060 C) BELGRADE 0167

SUMMARY. ON FEBRUARY 12 THREE-WAY AGREEMENT BETWEEN YUGOSLAV, HUNGARIAN, AND CZECH OIL ENTERPRISES WAS SIGNED FOR CONSTRUCTION OF PAN-ADRIA PIPELINE. HIGH-LEVEL GOVERNMENT REPRESENTATIVES ATTENDED.

EVENT WAS GIVEN PROMINENT MEDIA COVERAGE, INCLUDING STATEMENTS THAT AGREEMENT ELIMINATES LAST OBSTACLE IN PREPARATORY PHASE OF PROJECT, AND CONSTRUCTION WORKS WILL NOW GO FORWARD.
END SUMMARY.

1. AMIDST CONSIDERABLE FANFARE, INCLUDING EXTENSIVE TV AND PRESS PUBLICITY, YUGOSLAV, CZECH AND HUNGARIAN OIL ENTERPRISES SIGNED
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PAGE 02 BELGRA 00701 140907Z

AGREEMENT FEB 12 FOR CONSTRUCTION OF CRUDE OIL PIPELINE THAT WILL LINK THE ADRIATIC WITH OIL REFINERIES IN YUGOSLAVIA,

HUNGARY AND CZECHOSLOVAKIA. SIGNING TOOK PLACE ON ISLAND OF KRK, WHERE MAJOR PORT FACILITIES FOR LARGE TANKERS, STORAGE TANKS AND PUMPING STATIONS TO CONVEY OIL TO THE INTERIOR WILL BE CONSTRUCTED. AGREEMENT WAS SIGNED BY DIRECTORS OF RESPECTIVE ENTERPRISES: MINERAL IMPEX (HUNGARY), CZEMAPOL (CZECH), AND INA, NAFTAGAS AND ENERGOVINVEST (YUGOSLAVIA). PRESENT WERE CZECH VICE PREMIER ZAHRAK, HUNGARIAN FINANCE MINISTER FLAUSVEGI, AND MEMBERS OF GOY FEDERAL EXECUTIVE COUNCIL KRSTINIC, JAKOVLEVSKI, SMOLE AND DIMITRIJEVIC.

2. OFFICIALLY ANNOUNCED MAJOR PROVISIONS OF AGREEMENT ARE:

A. PIPELINE ROUTE TO CONNECT OMISALJ ON ISLAND OF KRK TO REFINERY AT SISAK. FROM SISAK THERE WILL BE TWO MAJOR TRUNKS, ONE NORTH THROUGH HUNGARY TO BRATISLAVA, WITH A FORK TO LENDAVA OIL WORKS IN SLOVENIA. SECOND WILL SERVE REFINERIES AT BOSANSKI BROD, OPATOVAC, NOVI SAD AND PANCEVO. PIPELINE WILL HAVE CAPACITY FOR DELIVERY OF 34 MILLION TONS OF PETROLEUM ANNUALLY TO SISAK, OF WHICH 10 MILLION TONS WILL BE DELIVERED TO HUNGARY AND CZECHOSLOVAKIA.

B. PROJECT TO BE COMPLETED IN TWO STAGES: 1) WITHIN 36 MONTHS OF SIGNING, COMPLETION OF STORAGE FACILITIES AND ENTIRE PIPELINE IS PLANNED. PUBLIC STATEMENTS ASSERT THAT THIS DEADLINE MUST AND WILL BE MET. 2) WITHIN FOLLOWING 24 MONTHS ADDITIONAL STORAGE FACILITIES AND OTHER INSTALLATIONS WILL BE CONSTRUCTED.

C. AGREEMENT PROVIDES FOR FORMATION OF NEW ENTERPRISE TO MANAGE PIPELINE PROJECT.

3. PRESS REPORTS ESTIMATED COSTS OF \$350 MILLION, OF WHICH 80 PERCENT ALREADY SECURED FROM VARIOUS SOURCES, INCLUDING FINANCING FROM THE THREE PARTNERS, AS WELL AS CREDITS FROM KUWAIT, ENGLAND, "OTHER COUNTRIES" AND IBRD. AMOUNTS WERE NOT SPECIFIED.

4. COMMENT. HIGH LEVEL AND WELL PUBLICIZED SIGNING CEREMONY SHOULD DISPEL ANY LINGERING DOUBTS THAT INCREASED PRICE OF MIDDLE
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PAGE 03 BELGRA 00701 140907Z

EASTERN OIL, OR ANY OTHER FACTORS, MIGHT DELAY PROJECT. PIPELINE WILL PROVIDE MAJOR VEHICLE FOR DELIVERY OF OIL TO YUGOSLAVIA AND EAST EUROPE. COMMUNIQUE OF SIGNING EMPHASIZED PIPELINE'S SIGNIFICANCE FOR INCREASED ECONOMIC COOPERATION BETWEEN YUGOSLAVIA AND ITS PARTNERS.
JOHNSON

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